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TOWN OF RAYVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT
JUNE 30, 2003

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Release Date 1-28-04

TOWN OF RAYVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2003

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TOWN OF RAYVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor Harry Lewis and
Members of the Town Council
Town of Rayville, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Rayville, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Town does not have a comprehensive record of general fixed assets or reliable historical cost records for general fixed assets acquired prior to 1977. It was not practical for us to satisfy ourselves as to the balance in the general fixed asset account group of accounts.

The Town has not established adequate controls for the Water and Sewer Proprietary Fund. The current system does not assure that all metered water consumption is billed. It was not practical for us to satisfy ourselves as to the completeness of the system's revenues.

In our opinion, except for the effect of such adjustments, if any, that might have been necessary with respect to the two preceding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Rayville, Louisiana, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining, individual fund, and account group financial statements as of June 30, 2003, and for the year then ended, present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Town of Rayville, Louisiana, as of June 30, 2003, and the results of operations of such funds and the cash flows of individual proprietary funds for the year then ended in conformity accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2003, on our consideration of the Town of Rayville, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of the Town of Rayville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The Supplemental Reporting Requirements, presented as Appendix VIII is not a required part of the general purpose financial statements. We have applied certain limited procedures. However, we did not audit the information and express no opinion on it.

Cochran, Clark & Johnson

Rayville, LA
November 14, 2003

TOWN OF RAYVILLE, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30 , 2003

	Governmental Fund Types		Proprietary Fund Types	Account Groups		TOTALS (Memorandum Only) 2003
	General	Special Revenue		General Fixed Assets	Long-term Debt	
Assets and Other Debits						
Cash	119,671	116,170	2,813	-	-	238,654
Investments (at cost)	36,779	-	-	-	-	36,779
Receivables (net of allowances for uncollectibles)						
Taxes, including penalty, interest and fees	5,540	79,080	-	-	-	84,620
Services	5,799	-	92,065	-	-	97,864
Fines and Forfeits	183,825	-	-	-	-	183,825
Other	75	-	-	-	-	75
Intergovernmental	466,514	-	-	-	-	466,514
Accrued Interest	53	22	32	-	-	107
Deferred Charges (net of amortization)	-	-	34,593	-	-	34,593
Restricted Assets:						
Cash and Investments (at cost)	-	-	259,612	-	-	259,612
Fixed Assets (net of accumulated depreciation)	-	-	2,543,644	12,304,282	-	14,847,926
Amount to be Provided for Long-term Leases	-	-	-	-	122,758	122,758
Total Assets and Other Debits	818,256	195,272	2,932,759	12,304,282	122,758	16,373,327

(CONTINUED)

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2003
(CONTINUED)

	Governmental Fund Types		Proprietary Fund Types	Account Groups		TOTALS (Memorandum Only) 2003
	General	Special Revenue		General Fixed Assets	Long-term Debt	
Liabilities, Equity and Other Credits						
Accounts Payable	106,378	1,228	69,557	-	-	177,163
Accrued Expenditures/Expenses	443,444	-	10,044	-	-	453,488
Leases Payable	-	-	20,766	-	-	20,766
Payable from Restricted Assets						
Current Portion of Revenue	-	-	-	-	-	-
Bonds	-	-	61,547	-	-	61,547
Customer Deposits	-	-	58,725	-	-	58,725
Revenue Bonds Payable	-	-	1,380,287	-	-	1,380,287
Obligations under Capital Leases	-	-	-	-	122,758	122,758
Total Liabilities	549,822	1,228	1,600,926	-	122,758	2,274,734
Fund Equity						
Investments in General Fixed Assets	-	-	-	12,304,282	-	12,304,282
Contributed Capital	-	-	1,350,000	-	-	1,350,000
Retained Earnings:						
Reserved for Revenue Bond	-	-	187,468	-	-	187,468
Unreserved	-	-	(205,635)	-	-	(205,635)
Fund Balance:						
Reserved for Industrial Development	-	39,137	-	-	-	39,137
Unreserved	268,434	154,907	-	-	-	423,341
Total Contributed Capital						
Retained Earnings/						
Fund Balance	268,434	194,044	1,331,833	-	-	1,794,311
Total Fund Equity	268,434	194,044	1,331,833	12,304,282	-	14,098,593
Total Liabilities, Fund Equity, and Other Credits	818,256	195,272	2,932,759	12,304,282	122,758	16,373,327

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 2003

	<u>Governmental Fund Types</u>		TOTALS (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Year Ended June 30, 2003</u>
Revenues:			
Taxes	289,026	914,997	1,204,023
Licenses and Permits	108,506	-	108,506
Intergovernmental Revenue	627,172	-	627,172
Charges for Service	250,466	-	250,466
Fines and Forfeits	222,080	-	222,080
Interest	1,003	875	1,878
Other	48,044	-	48,044
Total Revenues	<u>1,546,297</u>	<u>915,872</u>	<u>2,462,169</u>
Expenditures:			
Current:			
General Government	485,966	13,893	499,859
Fire	154,953	-	154,953
Police	528,835	-	528,835
Highways and Streets	354,999	-	354,999
Sanitation	209,982	-	209,982
Recreation	110,140	-	110,140
Airport	491,321	-	491,321
Capital Outlay	41,668	-	41,668
Total Expenditures	<u>2,377,864</u>	<u>13,893</u>	<u>2,391,757</u>
Excess (Deficiency) of Revenues Over Expenditures	(831,567)	901,979	70,412

(CONTINUED)

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 2003

(CONTINUED)

	<u>Governmental Fund Types</u>		TOTALS (Memorandum Only) Year Ended June 30, 2003
	<u>General</u>	<u>Special Revenue</u>	
Other Financing Sources (Uses)			
Capital Leases	10,117	-	10,117
Operating Transfers In	943,459	-	943,459
Operating Transfers (Out)	(36,006)	(1,012,189)	(1,048,195)
Total Other Financing Sources (Uses)	917,570	(1,012,189)	(94,619)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	86,003	(110,210)	(24,207)
Fund Balance at Beginning of Year	38,361	304,254	342,615
Cumulative effect of a change in an account principle	144,070	-	144,070
Fund Balance at End of Year	268,434	194,044	462,478

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET (GAAP BASIS) AND ACTUAL-
GENERAL AND SPECIAL REVENUE FUND TYPES

For the Fiscal Year Ended June 30, 2003

	GENERAL FUND			SPECIAL REVENUE FUND TYPES			TOTALS (Memorandum Only)		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:									
Taxes	249,593	289,026	39,433	940,000	914,997	(25,003)	1,189,593	1,204,023	14,430
Licenses and Permits	89,922	108,506	18,584	-	-	-	89,922	108,506	18,584
Intergovernmental	734,052	627,172	(106,880)	-	-	-	734,052	627,172	(106,880)
Charges for Services	223,500	250,466	26,966	-	-	-	223,500	250,466	26,966
Fines and Forfeits	190,000	222,080	32,080	-	-	-	190,000	222,080	32,080
Interest	1,350	1,003	(347)	1,000	875	(125)	2,350	1,878	(472)
Other	48,445	48,044	(401)	-	-	-	48,445	48,044	(401)
Total Revenues	1,536,862	1,546,297	9,435	941,000	915,872	(25,128)	2,477,862	2,462,169	(15,693)
Expenditures:									
Current:									
General Government	640,295	485,966	154,329	13,100	13,893	(793)	653,395	499,859	153,536
Fire	156,913	154,953	1,960	-	-	-	156,913	154,953	1,960
Police	527,400	528,835	(1,435)	-	-	-	527,400	528,835	(1,435)
Highways and Streets	498,289	354,999	143,290	-	-	-	498,289	354,999	143,290
Sanitation	199,876	209,982	(10,106)	-	-	-	199,876	209,982	(10,106)
Recreation	118,700	110,140	8,560	-	-	-	118,700	110,140	8,560
Airport	516,493	491,321	25,172	-	-	-	516,493	491,321	25,172
Capital Outlay	-	41,668	(41,668)	10,000	-	10,000	10,000	41,668	(31,668)
Total Expenditures	2,657,966	2,377,864	280,102	23,100	13,893	9,207	2,681,066	2,391,757	289,309
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,121,104)	(831,567)	289,537	917,900	901,979	(15,921)	(203,204)	70,412	273,616

(CONTINUED)

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET (GAAP BASIS) AND ACTUAL-
GENERAL AND SPECIAL REVENUE FUND TYPES

For the Fiscal Year Ended June 30, 2003

(CONTINUED)

	GENERAL FUND		SPECIAL REVENUE FUND TYPES		TOTALS (Memorandum Only)	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Other Financing Sources (Uses):						
Capital Leases	-	10,117	10,117	-	10,117	10,117
Operating Transfers						
In	1,025,110	943,459	(81,651)	-	943,459	(81,651)
Operating Transfers						
(Out)	-	(36,006)	(36,006)	-	(1,048,195)	(1,048,195)
Total Other Financing Sources (Uses)	1,025,110	917,570	(107,540)	-	(94,619)	(1,119,729)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(95,994)	86,003	181,997	917,900	(110,210)	(1,028,110)
				821,906	(24,207)	(846,113)
Fund Balances at Beginning of Year	38,361	304,254			342,615	
Cumulative effect of a change in an accounting principle		144,070			144,070	
Fund Balance at End of Year		268,434			462,478	

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
 WATER AND SEWER ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES

For the Year Ended June 30, 2003

Operating Revenues:		
Charges for Services	<u>431,256</u>	
Total Operating Revenue		431,256
Operating Expenses:		
Bad Debts	8,729	
Depreciation	111,103	
Employee Benefits	10,695	
Fuel	8,228	
Insurance	38,951	
Professional	117,457	
Repairs	24,818	
Salaries	137,799	
Supplies	81,690	
Supplies-Office	3,812	
Telephone and Utilities	<u>85,826</u>	
Total Operating Expenses		<u>629,108</u>
Operating Income (Loss)		<u>(197,851)</u>
Non-Operating Revenue:		
Interest	1,700	
Lease Revenue	<u>99,005</u>	
Total Non-Operating Revenue		100,705
Non-Operating Expenses:		
Amortization	1,814	
Revenue Bond Interest	80,589	
Paying Agent Fees	<u>1,168</u>	
Total Non-Operating Expenses		<u>83,571</u>
Income (Loss) Before Other Sources (Uses)		<u>(180,717)</u>

(CONTINUED)

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES

For the Year Ended June 30, 2003

(CONTINUED)

Other Financing Sources (Uses):		
Operating Transfers In (Out):		
Sales Tax Fund	68,730	
General Fund	<u>36,006</u>	
Total Other Financing Sources (Uses)		<u>104,736</u>
 Net Income (Loss)		 (<u>75,981</u>)
 Retained Earnings at Beginning of Year		 <u>57,814</u>
 Retained Earnings at End of Year		 (<u>18,167</u>)

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

For the Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)		(197,851)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	111,103	
(Increase) Decrease in Accounts Receivable	(25,208)	
(Increase) Decrease in Accrued Interest	556	
(Increase) Decrease in Restricted Assets	77,266	
Increase (Decrease) in Accounts Payable	25,239	
Increase (Decrease) in Accruals	(23,994)	
Increase (Decrease) in Restricted Asset Related Liabilities	<u>7,800</u>	<u>172,762</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		<u>(25,089)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In (Out)	104,736	
Lease Revenue	<u>99,005</u>	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES		<u>203,741</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Equipment	(27,440)	
New Borrowing	27,440	
Payment of Debt Principal	(103,002)	
Payment of Interest Expense and Agent Fees	<u>(81,757)</u>	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(184,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>1,700</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>1,700</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(4,407)</u>
Cash and Cash Equivalents at Beginning of Year		<u>7,220</u>
Cash and Cash Equivalents at End of Year		<u>2,813</u>

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

I. Summary of Significant Accounting Policies

The Town of Rayville, Louisiana was incorporated in 1911, under the provisions of the Lawrason Act. The Town operates under a Town Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town of Rayville conform to generally accepted accounting principles as applicable to governments. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements except GASB 34. The Town has not implemented GASB 34. The proprietary fund unit applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. SCOPE OF REPORTING ENTITY

This report contains all of the funds and account groups of the Town of Rayville. There are no significant additional organizations, functions, or activities over which the Town has manifestations of oversight and accountability, or for which the scope of public service or special financial arrangements may require them to be included in this report as per NCGA statement 1 and GASB 14.

The Town of Rayville appoints the board of directors of the Rayville Housing Authority but has no financial accountability for the Rayville Housing Authority. There is no related-party activity between the Town and the Rayville Housing Authority. The Rayville Housing Authority submits its own financial statements which are a matter of public record. Because there is no financial accountability/obligation between the Town and the Housing Authority, those financial statements are not included in the Town's financial reports.

B. BASIS OF PRESENTATION

1. FUND CATEGORIES

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report into two generic fund types and two broad fund categories as follows:

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Improvements	10-50 years
Equipment	7-10 years

2. ACCOUNT GROUPS

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. On assets acquired prior to 1977, the original cost was estimated based on such documentary evidence as was available including price levels at the time of acquisition. Donated fixed assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction are capitalized.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in governmental funds.

In governmental funds, assets acquired through capital leases are accounted for in the General Fixed Asset Account Group with no depreciation taken, and the corresponding liability is recorded in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with measurement of financial position. They are not involved with measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

GOVERNMENTAL FUNDS

Revenues are recognized when they become measurable and available as net current assets. The revenue recognition is determined for each primary revenue source as detailed below:

SALES TAX - Sales Tax revenue is recorded when taxpayer liability is established and collectibility is reasonably assured using the modified accrual basis of accounting.

FINES - Based on the criteria of legal requirements, measurability, and collectibility, fines are recorded on the accrual basis of accounting.

PROPERTY TAXES - Property tax revenue is recorded when the taxes are levied as they become measurable and available at that time. Property taxes are levied on November 1 and are due and payable at that time. An enforceable lien attaches to the property on January 1, as taxes become delinquent after December 31. The Town bills and collects its own property taxes. Property taxes receivable that are accrued, are recognized in the accounts reduced by an allowance for uncollectible taxes receivable.

The Louisiana Municipal Finance Law permits the Town to levy taxes of \$20 per \$100 of assessed valuation. The tax for the current period was 9.78 mills.

TAXPAYER ASSESSED REVENUES - Revenues from taxpayer assessment is recognized when cash is received as that is generally the earliest point that income is measurable and collectible. If taxpayer collectibility and liability are clearly established, as when tax returns are filed but payment while assured is not made, revenue is accrued prior to actual payment. Any refunds of such taxes would be reported as a reduction of revenue at the time the claims are filed with the Town.

MISCELLANEOUS REVENUES - Revenues from swimming fees and other miscellaneous revenues are recorded as the cash is received.

GRANTS - Grants recorded in governmental funds are recognized as revenue in the accounting period when they become susceptible to accrual. Legal and contractual requirements are reviewed in making this determination with each grant. Generally revenue is recorded at the time of receipt or earlier if the susceptibility to accrual criteria is met. As expenditures are often the prime factor for determining eligibility, revenues are recognized when the expenditure is made. If cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements. Grants are included as Intergovernmental Revenue.

The measurement focus of governmental funds is on expenditures which represent decreases in net financial resources. Most expenditures are measurable and should be recorded when the related liability is incurred. The expenditures shall be the amount accrued during the year that would normally be liquidated with expendable available financial resources.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

The expenditures for the following are recognized as detailed below:

COMPENSATED ABSENCES. All accumulated unpaid vacation pay and sick pay are accrued when incurred in the governmental fund. Such accruals are to be paid with current available spendable resources and therefore represent current liabilities.

PENSION EXPENDITURES. The expenditure is recognized as the amount accrued during the year that will be liquidated with expendable available financial resources. This accrual is established by the amount of the payroll and the multiple employer retirement plans. All accrued amounts are considered to be current liabilities.

LONG-TERM DEBT. Expenditures for principal and interest on general obligation long-term debt are recorded in the year of payment.

INVENTORY. Inventory items (material and supplies) are considered to be insignificant and are reported as expenditures when purchased.

POSTEMPLOYMENT BENEFITS. The Town offers no Postemployment benefits other than retirement system pensions.

PROPRIETARY FUNDS

The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The following revenue or expense recognition applies:

UNBILLED WATER RECEIVABLES - The Town utilizes cycle billing to generate its water bills. The unbilled cycle representing water services provided is accrued for revenue recognition in the period earned.

COMPENSATED ABSENCES - Sick pay and vacation pay applicable to employees of the Water and Sewer Fund are accrued as it is earned and the expense recognized in the period incurred.

PENSION EXPENSE - The pension expense applicable to employees of the Water and Sewer Fund is accrued as the salary is expensed upon which the cost is based.

INVENTORY - Inventory items (material and supplies) are considered to be nonmaterial and are reported as expenses when purchased.

POSTEMPLOYMENT BENEFITS. The Town offers no Postemployment benefits other than retirement system pensions.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

D. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The combined statement of revenues, expenditures, and changes in fund balances - budget and actual for all governmental fund types presents comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.
- c. Unused appropriations of all of the above annually budgeted funds lapse at the end of the fiscal year.
- d. Prior to June 15, the Mayor submits to the Town Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, the budget is legally enacted through the passage of an ordinance.
- e. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Therefore the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- f. The budget amounts shown in the financial statements are the final authorized amounts as amended by legal ordinance during the year.

II. Stewardship, Compliance, and Accountability

BUDGETARY COMPLIANCE

The Town of Rayville was not in compliance with the budget for the General Fund and Sales Tax Special Revenue Fund in the areas of Operating Transfers In and Operating Transfers Out. The Town did not adopt a budget for the Economic Development Special Revenue Fund.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

III. Detail Notes on All Funds and Account Groups

A. ASSETS

1. Cash and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

At June 30, 2003, the Town had cash and cash equivalents (book balances) as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty Cash	614	-	614
Checking Account	238,040	213,282	451,322
Time Deposits	36,779	46,330	83,109
TOTAL	<u>275,433</u>	<u>259,612</u>	<u>535,045</u>

	<u>Cash</u>	<u>Cash Equivalents Certificates of Deposits</u>	<u>Total</u>
At June 30, 2003: Carrying Amount on Balance Sheet	<u>451,322</u>	<u>83,109</u>	<u>534,431</u>
Bank Balances:	<u>467,587</u>	<u>83,109</u>	<u>550,696</u>
a: Insured (FDIC) or collateralized with securities held by the en- tity or its agent <u>in the entity's</u> <u>name</u>	<u>164,567</u>	<u>83,109</u>	<u>247,676</u>
b: Collateralized with securities held by pledging financial insti- tution's trust department or agent <u>in the</u> <u>entity's name</u>	<u>-</u>	<u>-</u>	<u>-</u>
c: Uncollateralized, including any secur- ities held for the entity but <u>not in</u> <u>the entity's name</u>	<u>303,020</u>	<u>-</u>	<u>303,020</u>
Total Bank Balances	<u>467,587</u>	<u>83,109</u>	<u>550,696</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, LSA-R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

Cash and Cash Equivalents - For purposes of presenting the Statement of Cash Flows, for the Enterprise Fund, cash and cash equivalents is limited to the Unrestricted Cash Accounts.

2. Allowance for Uncollectible Accounts

At June 30, 2003, the allowance for estimated uncollectible accounts was \$14,250 in the Water and Sewer Enterprise Fund.

3. Net Working Capital

At June 30, 2003, the net working capital of the Proprietary Fund was \$122,484.

4. Changes in General Fixed Assets Account Group

Summary of Changes in General Fixed Assets:

	Balance 7/01/02	Additions	Retirements	Balance 6/30/03
Land	517,227	-	9,135	508,092
Buildings	1,403,532	-	-	1,403,532
Improvements	5,439,316	-	-	5,439,316
Equipment	1,662,082	41,668	39,720	1,664,030
Rehabilitation	1,273,505	-	-	1,273,505
Recreation	106,022	-	-	106,022
Airport				
Improvements	1,041,864	-	-	1,041,864
Industrial Park	867,921	-	-	867,921
	<u>12,311,469</u>	<u>41,668</u>	<u>48,855</u>	<u>12,304,282</u>

Investments in General Fixed Assets by Sources:

Property Acquired Prior to 10-01-77 2,612,719*

Property Acquired After 9-30-77

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

General Fund	638,085	
Sales Tax Fund	4,340,477	
Federal Revenue Fund	248,005	
Federal Grants	2,689,151	
Contributions	41,674	
Capital Projects Grants	945,343	
Industrial Park Fund	274,542	
Economic Development	370,498	
Long-Term Leasing	<u>143,788</u>	<u>9,691,563</u>
		<u>12,304,282</u>

*Original cost was estimated based on documentary evidence available including price levels at time of acquisition.

5. *Summary of Proprietary Fund Fixed Assets*

A summary of Proprietary Fund Type Property, Plant, and Equipment at June 30, 2003 follows:

Land	39,425
Improvements	<u>3,958,745</u>
Total	<u>3,998,170</u>
Less accumulated depreciation	<u>(1,454,526)</u>
Net	<u>2,543,644</u>

In the current fiscal year, there was \$27,440 in Equipment additions. There were no deletions.

B. LIABILITIES

1. PENSION AND RETIREMENT PLANS

Defined Benefit Pension Plans

The employees of the Town of Rayville, Louisiana participate in a Statewide Local Government Retirement System, a multiple-employer public employee retirement system. The Town's employees and policemen participate in the Municipal Employees' Retirement System of Louisiana ("MERS") and the Municipal Police Employees' Retirement System of Louisiana ("MPERS").

Covered employees are required by State statute to contribute a set percent of their salary to the plans. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. In the current year, the Town's contribution percentage ranged from 7% to 9%, determined by the plan in which the employee participated. The contribution requirements and payroll for employees covered by the systems are shown in the schedule below.

<u>Years ended June 30</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Total Payroll	863,318	890,342	939,089
Total Covered Payroll	648,061	763,783	810,834
Employee Contributions	55,910	66,944	70,755
Town Contributions	53,887	57,703	56,396

Employee eligibility, vesting of benefits, the pension benefit obligation contribution requirements and other actuarial and historical trend information on both the MERS and MPERS can be obtained from the audit reports of each plan which are available for public inspection. The reports may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Boulevard, Baton Rouge, LA 70809 or the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, LA 70809-2250.

2. COMPENSATED ABSENCES

Accumulated unpaid vacation and sick pay are accrued when incurred in proprietary and governmental funds. At June 30, 2003, the recorded accruals in the General Fund and the Water and Sewer Fund were as follows:

General Fund	29,139
Water and Sewer Fund	<u>9,044</u>
Total	<u>38,183</u>

These amounts do not exceed a normal year's accumulations.

3. LONG-TERM DEBT

(a) Description of Long-Term Debt

Bonds Payable at June 30, 2003, are comprised of the following issues:

	<u>Outstanding Principal</u>
1,054,000 Rural Development Water Revenue Bonds due in Monthly Payments Through July, 2038. Interest Rate 4.75%	1,006,834
550,000 1999 Sewer Refunding Bonds due in semi-annual payments July, 2001 through July, 2011. Interest rate 3.6% - 4.6%	<u>435,000</u>
Total Bonds Payable	<u>1,441,834</u>

All above revenue bonds are being serviced - principal and interest by the Water and Sewer Fund.

(b) Equipment Leases Payable

Backhoe Lease. Original financing of \$18,940 at 8.4% payable in 48 monthly payments	14,746
Air Compressor Lease. Original financing of \$8,500 at 6.0% payable in 36 monthly payments	<u>6,020</u>
Total Leases Payable	<u>20,766</u>

All above leases are being serviced - principal and interest by the Water and Sewer Fund.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

(c) Changes in Long-Term Debt (Principal Only)

The following is a summary of debt transactions of the Town for the fiscal year ended June 30, 2003.

	GLTDAG Capital Leases	Water Revenue Bonds	Sewer Refunding Bonds	Proprietary Capital Leases
Payable at				
July 1, 2002	171,074	1,008,162	530,000	-
Lease Financing	21,491	-	-	27,440
Bonds Retired	-	1,328	95,000	-
Capital Lease Retired	<u>69,807</u>	<u>-</u>	<u>-</u>	<u>6,674</u>
Payable at				
June 30, 2003	<u>122,758</u>	<u>1,006,834</u>	<u>435,000</u>	<u>20,766</u>

(d) Summary of Debt Service Requirements to Maturity

The annual requirements to maturity, including principal and interest, as of June 30, 2003, are as follows:

Year Ending June 30	General Long-Term Debt	Proprietary Debt		
		Water Revenue Bonds	Sewer Refunding Bonds	Capital Leases
2004	53,208	59,448	8,772	8,395
2005	58,190	59,448	61,737	8,630
2006	19,063	59,448	65,128	5,538
2007	-	59,448	63,367	579
2008	-	59,448	66,337	-
2009-2013	-	297,240	256,177	-
2014-2018	-	297,240	-	-
2019-2023	-	297,240	-	-
2024-2028	-	297,240	-	-
2029-2033	-	297,240	-	-
2034-2038	<u>-</u>	<u>282,332</u>	<u>-</u>	<u>-</u>
Total Principal and Interest	130,461	2,065,772	521,518	23,142
Less Interest	<u>(7,703)</u>	<u>(1,058,938)</u>	<u>(86,518)</u>	<u>(2,376)</u>
Liability as of June 30, 2003	<u>122,758</u>	<u>1,006,834</u>	<u>435,000</u>	<u>20,766</u>

4. LEASE COMMITMENTS

(a) General Long-term Debt

In 1999, the Town entered into a capital lease agreement to acquire equipment at a cost of \$79,943. The lease term is for 48 months with an interest rate of 5.9%. Monthly payments are set at \$1,077 for 47 months with a balloon payment of \$44,077.

In the year ended June 30, 2002, the Town entered into a capital lease agreement to acquire a fire truck. The total cost of the fire truck was \$147,439. The lease term is for 5 years with an interest rate of 5.9%. The annual payments are set at \$34,887.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

In the year ended June 30, 2002, the Town entered into a capital lease agreement to acquire two cars. The total cost of the cars is \$41,370. The lease term is for 24 months with an interest rate of 5.2%. The monthly payments are set at \$1,811.

In the year ended June 30, 2003, the Town entered into a capital lease agreement to acquire a car. The total cost of the car is \$21,490. The lease term is for 24 months with an interest rate of 6.0%. The monthly payments are set at \$948.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2003.

<u>Year Ending</u>	<u>Present Value</u>	<u>Interest</u>	<u>Future Minimum Lease Payments</u>
June 30, 2004	48,656	4,552	53,208
June 30, 2005	55,275	2,915	58,190
June 30, 2006	18,826	237	19,063

(b) Proprietary Debt

In the current fiscal year, the Town entered into a capital lease agreement to purchase a backhoe. The total cost of the backhoe is \$18,940. The lease term is for 48 months with an interest rate of 8.4%. The monthly payments are \$461.

In the current fiscal year, the Town entered into a capital lease agreement to purchase an air compressor. The total cost of the air compressor is \$8,500. The lease term is for 36 months with an interest rate of 6.0%. The monthly payments are \$258.

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2003.

<u>Year Ending</u>	<u>Present Value</u>	<u>Interest</u>	<u>Future Minimum Lease Payments</u>
June 30, 2004	7,124	1,271	8,395
June 30, 2005	7,817	813	8,630
June 30, 2006	5,246	292	5,538
June 30, 2007	579	4	583

C. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2003, there were no interfund receivables or payables.

D. FUND EQUITY

1. Change in an Accounting Principle

For the current fiscal year, the Town of Rayville adopted GASB 33 relating to the accrual of certain revenues. The cumulative effect of reporting fines on the accrual basis is reported as a change in an accounting principle in the General Fund.

2. The Economic Development Special Revenue Fund maintains a reserved fund balance. Disbursements are limited to areas of industrial or economic development.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

3. RESERVATION OF RETAINED EARNINGS

(a) 1999 WATER REVENUE BONDS

The Water Revenue Bonds issued on July 28, 1998, are secured by and payable solely from the income and revenues derived or to be derived from the operation of the water system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond agreement requires the Town to maintain certain cash accounts (Water Revenue Fund, Sinking Fund, Reserve Fund, and Contingency Fund) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2003, the Town had adequate cash restricted for the 1999 Water Revenue Bonds.

(b) 1999 SEWER REVENUE REFUNDING BONDS

To take advantage of a reduction in interest rates, the Town issued the 1999 Sewer Revenue Refunding Bonds on February 15, 1999. On July 1, 2001, the proceeds from these bonds retired all the 1991 Sewer Revenue Bonds maturing after that date. The 1999 bonds are secured by and payable solely from the income and revenues derived or to be derived from the operations of the sewerage system after provisions has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond ordinance requires the Town to maintain certain cash accounts including a Revenue Fund, Operations and Maintenance Fund, Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The calculations of the restricted cash amounts are outlined in the ordinance.

Retained earnings of the proprietary fund are reserved to the extent of these bond requirements and customer meter deposits of the water system.

4. The Water and Sewer Enterprise Fund has a deficit in unreserved retained earnings at June 30, 2003. Management is in the process of adjusting the billing rates to eliminate the \$18,167 deficit.

E. ON BEHALF OF PAYMENTS FOR SALARIES

Included in the General Fund financial statements are amounts paid by the State of Louisiana as supplemental salaries to the Town's policemen and firemen. The payments of \$29,100 are included on the financial statement as Intergovernmental Revenue and Public Safety Expenditures.

IV. FINANCIAL STATEMENT PRESENTATION

A. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flow in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

B. SALES TAX FUND

The sales tax collections of the Town of Rayville are not restricted as to the use of the monies. The Town assesses 1.50 % sales or use tax. The expiration of the sales tax law as passed in April 2003 is July 31, 2013. As required by Louisiana Law R.S. 33:2844, the sales and use tax collection was centralized within each parish beginning July 1, 1992. The Town of Rayville, in conjunction with the other parish taxing authorities, voted to establish a Richland Parish Tax Commission to serve as the collecting agency.

C. INTEREST EXPENSE PAID

Interest paid as a non-operating expense in the Water and Sewer Enterprise Fund was \$80,589.

V. CONTINGENT LIABILITIES

According to the City Attorney, there was no pending or threatened litigation, claims, or assessments against the Town that would have a material effect on these financial statements.

VI. RISK OF LOSS

The Town is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees, property damage, or breach of contract. The Town finances these potential losses through purchasing insurance from several commercial companies. The level of coverage has remained constant. The Town is not a member of a risk pool. All claims currently filed are adequately covered by the policies in place with no outstanding liabilities for the Town.

VII. COMPENSATION PAID TO GOVERNING BODY

The Town of Rayville, Louisiana has paid the following amounts to members of its governing body:

James C. Adams	4,800
Valerie Allen	4,800
Terry Brown	4,800
Johnny Jones	4,800
George Tennant	4,800
TOTAL	<u>24,000</u>

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TOWN OF RAYVILLE, LOUISIANA
GENERAL FUND
BALANCE SHEET

June 30, 2003

<u>Assets</u>		
Cash	119,671	
Investments	36,779	
Accounts Receivable (net of allowances for uncollectibles)		
Taxes, including penalty, interest and fees	5,540	
Services	5,799	
Fines and Forfeits	183,825	
Other	75	
Intergovernmental	466,514	
Accrued Interest	53	
Total Assets		<u>818,256</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	106,378	
Payroll Taxes Payable	2,309	
Other Accrued Expenditures	411,996	
Estimated Compensated Absences	29,139	
Total Liabilities		<u>549,822</u>
Fund Balance:		
Unreserved	268,434	
Total Fund Balance		<u>268,434</u>
Total Liabilities and Fund Balance		<u>818,256</u>

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended June 30, 2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	249,593	289,026	39,433
Licenses and Permits	89,922	108,506	18,584
Intergovernmental	734,052	627,172	(106,880)
Charges for Services	223,500	250,466	26,966
Fines and Forfeits	190,000	222,080	32,080
Interest	1,350	1,003	(347)
Other	48,445	48,044	(401)
Total Revenues	<u>1,536,862</u>	<u>1,546,297</u>	<u>9,435</u>
Expenditures:			
Current:			
General Government	640,295	485,966	154,329
Fire	156,913	154,953	1,960
Police	527,400	528,835	(1,435)
Highways & Streets	498,289	354,999	143,290
Sanitation	199,876	209,982	(10,106)
Recreation	118,700	110,140	8,560
Airport	516,493	491,321	25,172
Capital Outlay:	-	41,668	(41,668)
Total Expenditures	<u>2,657,966</u>	<u>2,377,864</u>	<u>280,102</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,121,104)</u>	<u>(831,567)</u>	<u>289,537</u>
Other Financing Sources (Uses):			
Capital Leases	-	10,117	10,117
Operating Transfers In (Out):			
Water and Sewer Fund	-	(36,006)	(36,006)
Sales Tax Fund	<u>1,025,110</u>	<u>943,459</u>	<u>(81,651)</u>
Total Other Sources (Uses)	<u>1,025,110</u>	<u>917,570</u>	<u>(107,540)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(95,994)</u>	<u>86,003</u>	<u>181,997</u>
Fund Balance at Beginning of Year		38,361	
Cumulative effect of a change in an accounting principle		<u>144,070</u>	
Fund Balance at End of Year		<u>268,434</u>	

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

Sales Tax Fund-to account for the proceeds of the sales taxes received and the expenditures of those funds in accordance with the law.

Economic Development Fund-to account for expenditures for economic development in accordance with the terms of the grant.

TOWN OF RAYVILLE, LOUISIANA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS

June 30, 2003

	SALES TAX	ECONOMIC DEVELOPMENT	TOTALS
<u>Assets</u>			
Cash	77,042	39,128	116,170
Interest Receivable	13	9	22
Account Receivable	79,080	-	79,080
Total Assets	<u>156,135</u>	<u>39,137</u>	<u>195,272</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts Payable	1,228	-	1,228
Total Liabilities	<u>1,228</u>	<u>-</u>	<u>1,228</u>
Fund Balance:			
Reserved for Industrial Development	-	39,137	39,137
Unreserved	<u>154,907</u>	<u>-</u>	<u>154,907</u>
Total Fund Balance	<u>154,907</u>	<u>39,137</u>	<u>194,044</u>
Total Liabilities and Fund Balance	<u>156,135</u>	<u>39,137</u>	<u>195,272</u>

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

For the Year Ended June 30, 2003

	<u>SALES TAX</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>TOTALS</u>
Revenues:			
Interest	472	403	875
Taxes	<u>914,997</u>	<u>-</u>	<u>914,997</u>
Total Revenues	<u>915,469</u>	<u>403</u>	<u>915,872</u>
Expenditures:			
General Government	13,893	-	13,893
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>13,893</u>	<u>-</u>	<u>13,893</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>901,576</u>	<u>403</u>	<u>901,979</u>
Other Financing Sources (Uses):			
Operating Transfers In (Out)	<u>(1,012,189)</u>	<u>-</u>	<u>(1,012,189)</u>
Total Other Financing Sources (Uses)	<u>(1,012,189)</u>	<u>-</u>	<u>(1,012,189)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(110,613)</u>	<u>403</u>	<u>(110,210)</u>
Fund Balance at Beginning of Year	<u>265,520</u>	<u>38,734</u>	<u>304,254</u>
Fund Balance at End of Year	<u>154,907</u>	<u>39,137</u>	<u>194,044</u>

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
SALES TAX SPECIAL REVENUE FUND
BALANCE SHEET

June 30, 2003

<u>Assets</u>		
Cash	77,042	
Interest Receivable	13	
Accounts Receivable	<u>79,080</u>	
Total Assets		<u>156,135</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts Payable	<u>1,228</u>	
Total Liabilities		<u>1,228</u>
Fund Balance:		
Unreserved	<u>154,907</u>	
Total Fund Balance		<u>154,907</u>
Total Liabilities and Fund Balance		<u>156,135</u>

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
SALES TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE-BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended June 30, 2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	940,000	914,997	(25,003)
Interest	1,000	472	(528)
Total Revenues	<u>941,000</u>	<u>915,469</u>	<u>(25,531)</u>
Expenditures:			
General Government:			
Office/Administrative	13,100	13,893	(793)
Total Expenditures	<u>13,100</u>	<u>13,893</u>	<u>(793)</u>
Capital Outlay:			
Civic Center	10,000	-	10,000
Total Capital Outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures and Capital Outlay	<u>23,100</u>	<u>13,893</u>	<u>9,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>917,900</u>	<u>901,576</u>	<u>(16,324)</u>
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
Water and Sewer Fund	-	(68,730)	(68,730)
General Fund	-	(943,459)	(943,459)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,012,189)</u>	<u>(1,012,189)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>917,900</u>	<u>(110,613)</u>	<u>(1,028,513)</u>
Fund Balance at Beginning of Year		<u>265,520</u>	
Fund Balance at End of Year		<u>154,907</u>	

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
BALANCE SHEET

June 30, 2003

<u>Assets</u>		
Cash	39,128	
Interest Receivable	<u>9</u>	
Total Assets		<u>39,137</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Total Liabilities		<u>-</u>
Fund Balance:		
Reserved for Industrial Development	<u>39,137</u>	
Total Fund Balance		<u>39,137</u>
Total Liabilities and Fund Balance		<u>39,137</u>

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
 ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended June 30, 2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Interest	-	403	403
Total Revenues	-	403	403
Expenditures:			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	403	403
Other Financing Sources (Uses)			
Operating Transfers In (Out)			
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	403	403
Fund Balance at Beginning of Year		38,734	
Fund Balance at End of Year		39,137	

See accompanying notes to financial statements.

ENTERPRISE FUND

Water and Sewer Fund-to account for the provision of water and sewer services to the residents of the Town and some parish residents; and the operating agreement between the Town and L. P. & L. for the provision of electrical services to the residents of the Town and some parish residents.

TOWN OF RAYVILLE, LOUISIANA
WATER AND SEWER ENTERPRISE FUND
BALANCE SHEET

June 30, 2003

<u>Assets</u>		
Current Assets:		
Cash	2,813	
Accounts Receivable (net of allowances for uncollectibles of 14,250)	77,021	
Unbilled Accounts Receivable	15,044	
Accrued Interest	32	
Deferred Charges (Net of Amortization)	34,593	
Total Current Assets		129,503
Restricted Assets (Cash and Investments):		
Customer Deposits	61,688	
1999 Sewer Bond Funds	166,569	
Water Bond Funds	31,355	
Total Restricted Assets		259,612
Property, Plant, and Equipment:		
Land	39,425	
Improvements	3,958,745	
	3,998,170	
Less Accumulated Depreciation	(1,454,526)	
Net Property, Plant, and Equipment		2,543,644
Total Assets		<u>2,932,759</u>

(CONTINUED)

See accompanying notes to financial statements.

TOWN OF RAYVILLE, LOUISIANA
WATER AND SEWER ENTERPRISE FUND
BALANCE SHEET

June 30, 2003

(CONTINUED)

<u>Liabilities and Fund Equity</u>		
Liabilities:		
Current Liabilities:		
Accounts Payable	69,557	
Capital Leases Payable	7,124	
Other Accrued Expenses	1,000	
Estimated Compensated Absences	<u>9,044</u>	
Total Current Liabilities		86,725
Current Liabilities-Restricted Assets:		
Customer Meter Deposits	58,725	
Current Portion of Revenue Bonds	<u>61,547</u>	
Total Current Liabilities-Restricted Assets		120,272
Long-Term Liabilities:		
Capital Leases Payable	13,642	
Revenue Bonds	<u>1,380,287</u>	
Total Long-Term Liabilities		<u>1,393,929</u>
Total Liabilities		<u>1,600,926</u>
Fund Equity:		
Contributed Capital		1,350,000
Retained Earnings:		
Reserved per Revenue Bonds	187,468	
Unreserved	<u>(205,635)</u>	
Total Retained Earnings		<u>(18,167)</u>
Total Fund Equity		<u>1,331,833</u>
Total Liabilities and Fund Equity		<u>2,932,759</u>

See accompanying notes to financial statements.

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APPENDIX I

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor Harry Lewis and
Members of the Town Council
Town of Rayville, Louisiana

We have audited the general purpose financial statements of the Town of Rayville, Louisiana as of and for the year ended June 30, 2003, and have issued our qualified report thereon dated November 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Rayville, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in Appendix III. We also noted certain immaterial instances of noncompliance that we have reported to management of the Town in a separate letter dated November 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Rayville, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process,

summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in Appendix II.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in Appendix II we consider the Water Billing System to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Town in a separate letter dated November 14, 2003.

This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cochran, Clark & Lobenski

Rayville, LA
November 14, 2003

APPENDIX II

TOWN OF RAYVILLE, LOUISIANA SCHEDULE OF INTERNAL CONTROL REPORTABLE CONDITIONS FOR THE YEAR ENDED JUNE 30, 2003

I. GENERAL FIXED ASSETS

CONDITION: The Town does not have a comprehensive record of general fixed assets or a reliable historical cost record for general fixed assets acquired prior to 1977.

CRITERIA: As required by La. Rev. Stat. 24:515(B)(1), the Town should maintain records of all general fixed assets which are acquired by purchase or otherwise.

EFFECT: Without a control listing and appropriate numbering system for the fixed assets of the Town, assets could be stolen or misappropriated and not be detected by management. Assets that are obsolete may be sold and not recorded in the financial records; and purchased assets may not be recorded.

RECOMMENDATION: The Town should develop from available records a comprehensive fixed asset listing recording required information as to the date of purchase, initial cost, the disposition if any, the purpose of the disposition, and the recipient of the property or equipment disposed of.

MANAGEMENT'S RESPONSE: It is not feasible for the Town to attain all of the historical data. The Town will work with the auditors to establish the fixed asset records based on the most current data available.

II. WATER BILLING SYSTEM

CONDITION: The controls in the billing system utilized by the Water and Sewer Proprietary Fund does not assure that all users of metered water are accurately billed.

CRITERIA: All water used by either residential or commercial consumers should be billed at the rates set by the Town.

EFFECT: Water revenue and corresponding cash and accounts receivable are understated.

RECOMMENDATION: The Town should upgrade the billing system in order to properly control the water consumption and billings.

MANAGEMENT'S RESPONSE: The Town is in the process of implementing the new billing system.

APPENDIX III

TOWN OF RAYVILLE, LOUISIANA SCHEDULE OF COMPLIANCE FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

I. GENERAL FIXED ASSETS

CONDITION: The Town does not have a comprehensive record of general fixed assets or a reliable historical cost record for general fixed assets acquired prior to 1977.

CRITERIA: As required by La. Rev. Stat. 24:515(B)(1), the Town should maintain records of all general fixed assets which are acquired by purchase or otherwise.

See the effect, recommendation and management's response to this finding in Appendix II.

II. BOND ORDINANCE REQUIREMENTS

CONDITION: Various requirements of the 1999 Sewer Refunding Bond Ordinance have not been met.

CRITERIA: Ordinance 867 enacted on February 8, 1999 set forth various managerial requirements for the sewer system including various cash reserve accounts, financial statement reporting and accounts receivable billing requirements.

EFFECT: The sewer billing system and financial reporting system are not currently designed to give the Town the information needed to implement the various managerial and reporting requirements. See Appendix VII.

RECOMMENDATION: With assistance from the accountants and the software consultant, the Town should implement the additional requirements outlined by the Ordinance.

MANAGEMENT'S RESPONSE: The Town will seek assistance to establish the various managerial requirements enacted by the Ordinance.

III. RDC LOAN ORDINANCE

CONDITION: The financial statements were not issued within the time limit set by Resolution Number 1997-2.

CRITERIA: Resolution Number 1997-2 states the audited financial statements will be issued within three months of the fiscal year end.

EFFECT: Undetermined.

RECOMMENDATION: The Town should strive to close the fiscal year in a more timely manner.

MANAGEMENT'S RESPONSE: Efforts will be made to close the fiscal year in a more time efficient manner.

APPENDIX IV

TOWN OF RAYVILLE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2003

There were no prior year audit findings or questioned cost relative to federal awards.

Cochran, Clark & Robinson

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APPENDIX V

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor Harry Lewis and
Members of the Town Council
Town of Rayville, Louisiana

Compliance

We have audited the compliance of the Town of Rayville, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town of Rayville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Rayville, Louisiana's compliance with those requirements.

In our opinion, the Town of Rayville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Town of Rayville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, the Town Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cochran, Clark & Robinson

Rayville, LA
November 14, 2003

APPENDIX VI

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Awards Received</u>	<u>Federal Expenditures</u>
Department of Justice Law Enforcement Equipment	16.710	-	1,427	1,427
Rural Development Rural Development	10.760	-	72,684	72,684
USDA Summer Food Services	10.559	-	2,385	2,385
Visitors Enterprise Fund	NA	-	40,000	40,000
FAA & LA DOTD *Airport Improvement Program	20.106	-	455,794	455,794
LA DOTD Airport Improvement Program	20.106	-	<u>9,034</u>	<u>9,034</u>
Total Federal Awards			<u>581,324</u>	<u>581,324</u>

* Major Program

See auditors' report on the Schedule of Expenditures of Financial Awards.

APPENDIX VII

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONAL COST
YEAR ENDED JUNE 30, 2003

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of the Town of Rayville, Louisiana.
2. Two reportable condition disclosed during the audit of the financial statements are reported in Appendix II. One of the conditions is reported as a material weakness.
3. Three instances of noncompliance which could have a direct and material effect on the determination of financial statement amounts of the Town of Rayville, Louisiana, which are required to be reported in accordance with *Government Auditing Standards* are disclosed in Appendix III.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal awards programs for the Town of Rayville, Louisiana expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Town of Rayville, Louisiana.
7. The program tested as a major program included:
20.106 FAA and LA DOTD Airport Improvements
8. The threshold used for distinguishing between Type A & B programs was \$300,000.
9. The Town of Rayville, Louisiana qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS AND NONCOMPLIANCE

The following reportable conditions and compliance findings were also reported in the prior year.

I GENERAL FIXED ASSETS

CONDITION: The Town does not have a comprehensive record of general fixed assets or a reliable historical cost record for general fixed assets acquired prior to 1977.

CRITERIA: As required by La. Rev. Stat. 24:515(B)(1), the Town should maintain records of all general fixed assets which are acquired by purchase or otherwise.

EFFECT: Without a control listing and appropriate numbering system for the fixed assets of the Town, assets could be stolen or

misappropriated and not be detected by management. Assets that are obsolete may be sold and not recorded in the financial records; and purchased assets may not be recorded.

RECOMMENDATION: The Town should develop from available records a comprehensive fixed asset listing recording required information as to the date of purchase, initial cost, the disposition if any, the purpose of the disposition, and the recipient of the property or equipment disposed of.

MANAGEMENT'S RESPONSE: It is not feasible for the Town to attain all of the historical data. The Town will work with consultants to establish the fixed asset records based on the most current data available.

II BOND ORDINANCE REQUIREMENTS

CONDITION: Various requirements of the 1999 Sewer Refunding Bond Ordinance have not been met.

CRITERIA: Ordinance 867 enacted on February 8, 1999 sets forth various managerial requirements for the sewer system including various cash reserve accounts, financial statement reporting and accounts receivable billing requirements.

EFFECT: The sewer billing system and financial reporting system are not currently designed to give the Town the information needed to implement the various managerial and reporting requirements. See Appendix VIII.

RECOMMENDATION: With assistance from the accountants and the software consultant, the Town should implement the additional requirements outlined by the Ordinance.

MANAGEMENT'S RESPONSE: The Town will seek assistance to establish the various managerial requirements enacted by the Ordinance.

III RDC LOAN ORDINANCE

CONDITION: The financial statements were not issued within the time limit set by Resolution Number 1997-2.

CRITERIA: Resolution Number 1997-2 states the audited financial statements will be issued within three months of the fiscal year end.

EFFECT: Undetermined.

RECOMMENDATION: The Town should strive to close the fiscal year in a more timely manner.

MANAGEMENT'S RESPONSE: Efforts will be made to close the fiscal year in a more time efficient manner.

FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARDS PROGRAM

None

APPENDIX VIII

TOWN OF RAYVILLE SUPPLEMENTAL REPORTING REQUIREMENTS BASED ON ORDINANCE 867 FOR THE YEAR ENDED JUNE 30, 2003

- (a) The Income Statement of the Sewer System is not presented. The Town's Proprietary Fund, "Water and Sewer Fund" combines the activity of those two systems. The financial information can not be readily segregated.
- (b) A balance sheet of the Sewer System is not presented. The Town's Proprietary Fund, "Water and Sewer Fund", combines the accounts of those two systems. The financial information can not be readily segregated.
- (c) The Issuer has not addressed the following areas set forth in the bond ordinance:

The revenue fund, sinking fund, operation and maintenance fund, reserve fund, and the renewal and replacement fund have not been established with the paying agent as required in Section 401. The Town has established a Reserve account at a local financial institution. The reserve fund balance exceeds the amounts required in all of the various funds.

Charges for services to the issuer have not been billed.

- (d) The Town has numerous insurance policies in force at June 30, 2003. The three policies that impact the Sewer System are outlined below:

<u>Amount of Coverage</u>	<u>Type of Coverage</u>	<u>Insurer</u>	<u>Policy Dates</u>
540,000	Fidelity Bonds	Thomas, Farr & Reeves Agcy	4/28/03 - 4/28/04
500,000	General Liability	LMRMA	8/30/02 - 8/31/05
3,890,568	Property	Allstate	4/1/03 - 4/1/04

- (e) As of June 30, 2003, the Sewer System had 1,757 customers.
- (f) In the year ended June 30, 2003, there have been no additions, replacements or improvements to the physical properties of the System.
- (g) The analysis of all funds required setting forth all deposits and disbursements made is not presented.
- (h) The sewer rate remained unchanged throughout the fiscal year. The rate is a flat \$5 per month. The Town billed \$103,295 for sewer services during the year. The average monthly billing per user is \$5.

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November 14, 2003

Honorable Mayor Harry Lewis and
Members of the Town Council
Town of Rayville, LA

We appreciate the confidence you placed in our firm in selecting us as your auditors for the fiscal year ended June 30, 2003. Our engagement was to express an opinion on the general purpose financial statements and not to provide assurance on internal control. Appendix I contains the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. In the course of performing our various audit procedures, we noted the following situations that the Town should address:

- 1) The budget approved by the Town Council should serve as a management tool throughout the fiscal year. Although the budget was amended, the Town was not in compliance with the budget. Setting and attaining realistic goals must be an effort involving all departments.
- 2) In 1997 the Town obtained a new water pumping system and main water well meters. The Town has the capability to monitor the water pumped, billed, and used by the Town or lost. The Town has not utilized the system's measurement devices to effectively manage the Water Department.
- 3) The billing system for the Water Department provides numerous management reports. These reports should be used both by the Water Department in billing, servicing, and collecting, and the general administration in recording the accounting information from the billing system. In the current fiscal year, it was noted that:
 - a. The probable error report was not utilized to prevent excessive billings;
 - b. The billing system recap was not reconciled monthly;
 - c. Journal entries were not made each month to record the billings, receipts, adjustments, etc.;
 - d. Billing adjustments were not adequately documented; and
 - e. The cutoff procedures were not consistently followed.

- 4) The Town provides water and sewer services to the Northside Utility District # 2, but has no control over the billing or collection for the services. The District has been habitually delinquent in payments to the Town. The Town has no records of the consumption of residents of the District.
- 5) In any organization, training and monitoring progress plays a vital role in the development of its personnel to fulfill their assigned functions. Inadequate training and supervision resulted in several control issues in the current year. The primary sections appearing deficient were in maintaining accounting subsidiaries, proper use of the Town's chart of accounts in journalizing transactions, grant monitoring, the water billing system, timeliness of debt service payments and various required payroll reports and payments. These are all key elements and each one should be given adequate attention. Training and supervision is imperative to effectively manage and maintain the Town's accounting information.
- 6) In the current year, the Town entered into capital leases without the prior approval of the State Bond Commission.

Our office is available to assist you in implementing programs that will enhance your control in these and other areas. Again, thank you for selecting our firm as your auditors.

Sincerely,

COCHRAN, CLARK & ROBINSON

A handwritten signature in cursive script that reads "Renee Robinson".

Renee Robinson
COCHRAN, CLARK & ROBINSON

RR/pmr